



**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-3312**

October 2, 2003

The Honorable Bryant VanBrakle  
Secretary  
Federal Maritime Commission  
800 North Capitol Street, NW  
Washington, DC 20573-0001

RE: Petition P3-03

Dear Secretary VanBrakle:

I am ~~writing~~ to encourage your favorable consideration of the above-referenced petition of the ~~United~~ Parcel Service (UPS) for exemption from the prohibition on Non-Vessel Operating Common Carriers (NVOCCs) from entering into confidential contracts with their customers.

During consideration of the Ocean Shipping reform' Act (OSRA) revisions of 1998, Congress considered all aspects of the ocean shipping industry, including the role of NVOCCs. Based on the nature of ocean shipping at that time, Congress determined that NVOCCs should be regulated differently than vessel operators. However, Congress also granted broad exemption authority to the FMC which I hope you will use in this case.

In the late 1990s most NVOCCs were small enterprises that lacked sufficient assets to protect shippers or guarantee liability coverage. However, the state of the US ocean shipping industry has changed dramatically since passage of OSRA. There has been unprecedented consolidation among ocean carriers resulting in the loss of major US-flagged carriers. In an effort to offer customers a full range of services, carriers have created vertically integrated logistics companies that now compete with NVOCCs.

UPS operates the most sophisticated, integrated, intermodal transportation network in the world, which includes air, rail and surface and NVOCC transportation, and is deemed a "carrier" in the surface and air freight industries. Furthermore, UPS makes significant annual capital investments to its asset-based transportation infrastructure. These facts set UPS apart from the companies] that, led to concerns about the regulatory status of NVOCCs.

PLEASE RESPOND TO

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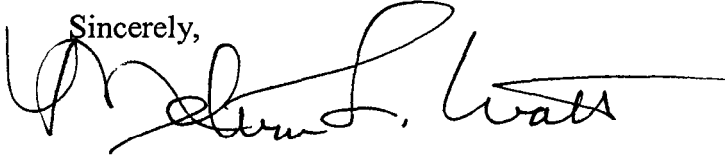
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While anticipating dramatic changes in the ocean shipping industry with the passage of OSRA, Congress probably did not contemplate how fast or how smoothly the market would adapt to these changes. By granting this petition, the FMC will acknowledge these changes, level the playing field between NVOCCs and vessel operators and, ultimately, benefit ocean shipping consumers around the world.

Thank you for your favorable consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Melvin L. Watt", with a long horizontal flourish extending to the right.

Melvin L. Watt

MLW/jjp